

Dallas-Fort Worth Retail

Q2 2023

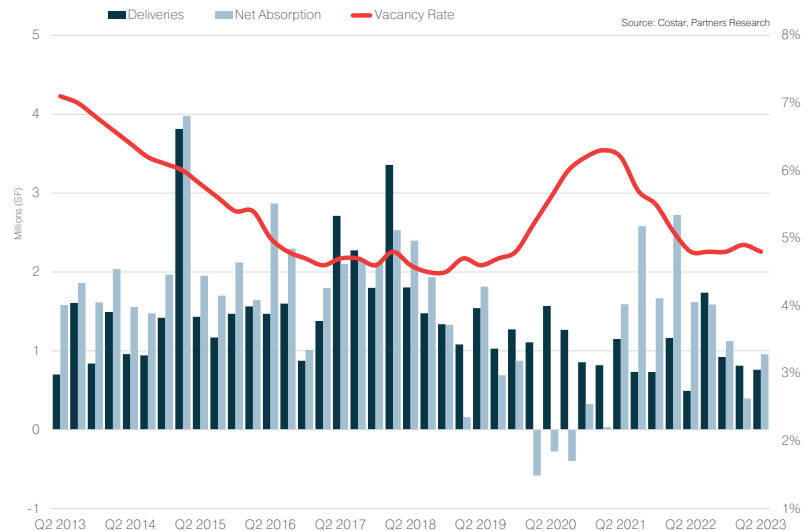
Executive Summary

Dallas-Fort Worth Retail net absorption triples quarter-over-quarter reaching nearly 1 million sq. ft.

Q2 2023 in Review

By the end of Q2 2023, the overall vacancy rate in the Dallas-Fort Worth retail market tightened to 4.8%, down 10 basis points from 4.9% in Q1 2023. Net absorption tripled year-over-year to 956,537 sq. ft. in Q2 2023 from 396,458 sq. ft. in Q1 2023—in part due to the limited space and robust demand within the Dallas-Fort Worth retail market in recent months. Construction increased slightly to 4.5 million sq. ft. in the pipeline as of Q2 2023—70,516 sq. ft. was added to the market from the prior quarter. Although still strong, leasing activity decreased 24% quarter-over-quarter from 2.1 million sq. ft. in Q1 2023 to 1.6 million sq. ft. in Q2 2023. Overall retail triple-net average rates in Dallas-Fort Worth kept up with inflation, with a 10% increase from last year, currently standing at \$19.45 per sq. ft.

Supply & Demand



Dallas-Fort Worth Economic Update

The Dallas-Fort Worth unemployment rate increased to 3.8% in May 2023, slightly up from 3.7% in April 2023. The metro's jobless rate beat the national rate (3.7%) but was lower than the state's rate (4.1%). As of May 2023, total employment in Dallas was 4.2 million. The Dallas-Fort Worth private hourly earnings dipped to \$33.77 in May 2023 from \$34.40 in April 2023. However, the Dallas-Fort Worth three-month moving average of hourly earnings (\$33.99) was above the state average (\$31.21) and the national average (\$33.32).

Key Market Indicators

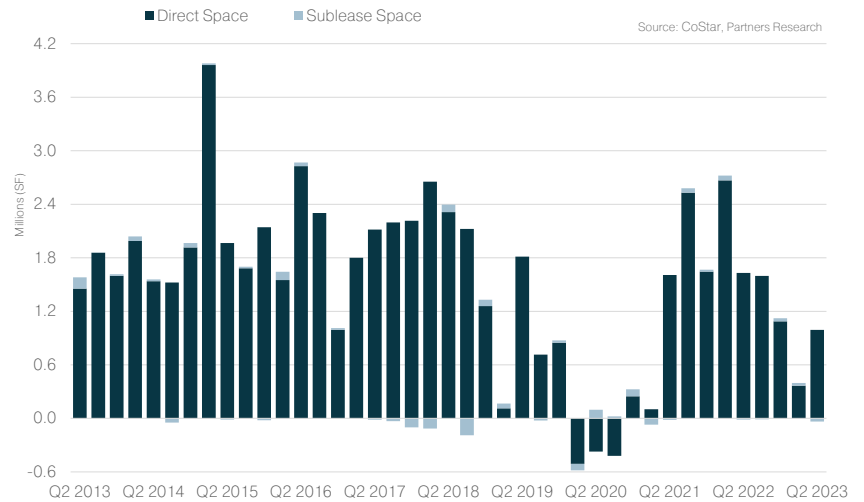
	CURRENT Q2 2023	PRIOR QUARTER Q1 2023		PRIOR YEAR Q2 2022	
Vacant Total	4.8%	4.9%	▲	4.8%	▬
Net Absorption (SF)	956,537	396,458	▲	1,617,768	▼
Leasing Activity (SF)	1,649,871	2,183,683	▼	2,522,173	▼
Deliveries (SF)	759,924	811,060	▼	492,572	▲
Construction (SF)	4,595,175	4,524,659	▲	4,382,103	▲
Inventory (SF)	412,476,072	411,716,148	▲	408,246,073	▲
Avg Asking NNN Rent (\$)	19.45	19.07	▲	17.68	▲

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Net Absorption Triples Quarter-Over-Quarter

Strong tenant demand coupled with constrained supply improved overall net absorption in the Dallas-Fort Worth retail market in Q2 2023. Occupancy rates remain high (95%), as tenants continue to backfill space left vacant in 2020. In Q2 2023, net absorption in the Dallas-Fort Worth retail market reached 956,537 sq. ft.—with 991,776 sq. ft. in direct space— tripling quarter-over-quarter from 396,458 sq. ft. in Q1 2023. This also marks the 11th straight quarter that the Dallas-Fort Worth retail market has recorded overall positive absorption. Moreover, the market has yet to experience negative absorption on the scale of Q1 2020, when it plummeted to -582,766 sq. ft.

Net Absorption

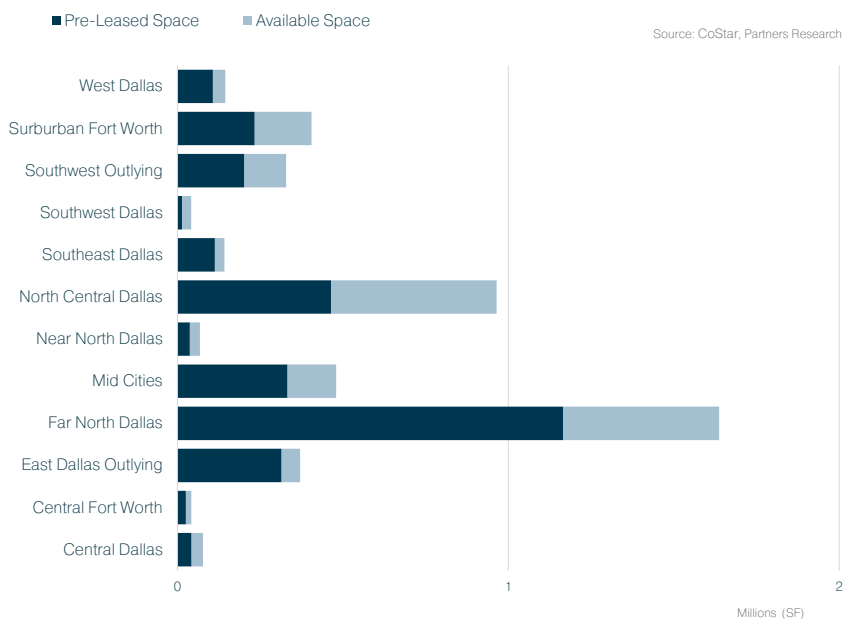


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4.5 Million Sq. Ft. In The Pipeline

Retail construction is at 4.5 million sq. ft. across 247 buildings, with 1.6 million sq. ft. (35%) available for lease. Year-over-year, construction increased slightly from 4.3 million sq. ft. in Q2 2022. The Far North Dallas submarket leads construction, with 1.6 million sq. ft.— or 35%— of all space under development, followed by the North Central Dallas submarket with 964,467 sq. ft. (20.8%). New construction starting in Q2 2023 included a 70,000-sq.-ft. retail center, High 5 Entertainment, at 1289 Johnson Road, and a 50,954-sq.-ft. retail center at 10051 Marsh Lane. The retail centers are set to deliver in May 2024 and November 2023, respectively. Deliveries increased 54% year-over-year from 492,572 sq. ft. in Q2 2022 to 759,924 sq. ft. in Q2 2023.

Construction

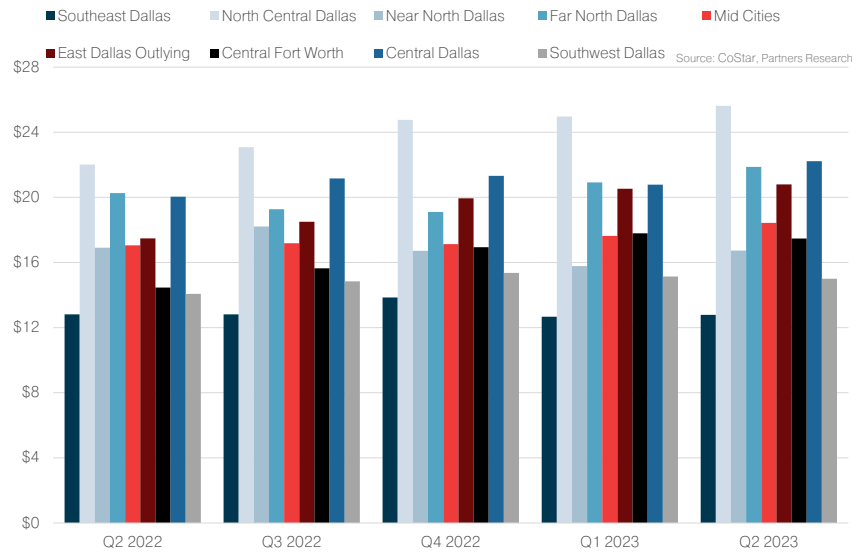


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Asking Rates Increase 10% Year-Over-Year

By the end of Q2 2023, the Dallas-Fort Worth retail overall triple-net average rates currently stand at \$19.45 per sq. ft., up slightly from \$19.07 per sq. ft. quarter-over-quarter, and up 10% year-over-year from \$17.68 per sq. ft. This is quite a jump in average rates, given that triple-net average rates grew only 2% annually in the prior four years. On the quarter, the North Central Dallas submarket had the highest average rate at \$25.62 per sq. ft. On the other hand, the Southeast Dallas submarket had the lowest average rate at \$12.78 per sq. ft. The likelihood of a significant increase in new supply in the near future remains low, potentially providing landlords with an extended period to continue raising rents down the line.

Overall Gross Asking Rent (\$/SF)



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Submarket Stats

Submarket	Total Inventory (SF)	Total Vacancy (%)	Q2 2023 Net Absorption (SF)	YTD Net Absorption (SF)	Q2 2023 Leasing Activity (SF)	Q2 2023 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Overall Gross Avg Asking Rent (\$/PSF)
Dallas-Fort Worth Total	412,476,072	4.8	956,537	1,352,995	1,649,871	759,924	1,570,984	4,595,175	19.45
Submarket	Total Inventory (SF)	Total Vacancy (%)	Q2 2023 Net Absorption (SF)	YTD Net Absorption (SF)	Q2 2023 Leasing Activity (SF)	Q2 2023 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Overall Gross Avg Asking Rent (\$/PSF)
Central Dallas	18,336,204	3.7	19,285	-70,009	33,228	33,228	33,228	77,347	22.22
Central Fort Worth	31,896,182	5.9	105,820	34,729	122,766	68,900	68,900	42,078	17.47
East Dallas Outlying	8,867,603	1.8	80,174	181,014	33,209	55,719	111,700	314,962	20.80
Far North Dallas	74,276,347	5.2	102,892	346,696	262,780	155,682	445,387	1,650,311	21.87
Mid Cities	67,022,209	5.4	74,956	252,013	248,499	111,448	181,617	448,093	18.43
Near North Dallas	25,052,688	4.1	29,464	-18,584	45,784	16,000	16,000	67,954	16.73
North Central Dallas	46,398,022	5.6	164,658	334,656	268,759	97,473	263,002	964,467	25.62
Southeast Dallas	18,686,211	4.8	28,926	57,738	83,737	43,489	57,689	141,830	12.78
Southwest Dallas	23,643,690	5.3	-106,799	-147,374	139,581	0	0	41,540	15.00



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